

Message Text

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ACTION SS-15

INFO OCT-01 NEA-06 ISO-00 SSO-00 CCO-00 NSC-05 NSCE-00

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FM AMEMBASSY NEW DELHI

TO AMEMBASSY MOSCOW IMMEDIATE

SECSTATE WASHDC 4809

C O N F I D E N T I A L NEW DELHI 14395

FOR S/S

E. O. 11652: GDS

TAGS: OVIP (KISSINGER, HENRY A.)

SUBJECT: TALKING POINTS FOR MEETING WITH INDIAN MINISTER OF

FINANCE C. SUBRAMANIAM, OCTOBER 29, 9:00 AM -
FINANCE MINISTER'S OFFICE

1. PARTICIPANTS: US (PROPOSED) THE SECRETARY, AMBASSADOR MOYNIHAN, DEPUTY ASSISTANT SECRETARY LAINGEN, PETER RODMAN (NOTETAKER); INDIA - FINANCE MINISTER C. SUBRAMANIAM, SECRETARY M.G. KAUL; MANMOHAN SINGH, CHIEF ECONOMIC ADVISOR; V. KRISHNASWAMY, PERSONAL SECRETARY TO MINISTER; AND J. S. BAIJAL, JOINT SECRETARY.

2. LANGUAGE: ENGLISH

3. PRESS ARRANGEMENTS: A PHOTO OPPORTUNITY MAY BE PROVIDED BEFORE OR AFTER THE MEETING. THERE WILL BE NO PRESS QUESTIONS.

4. CHECKLIST:

-- CONGRATULATIONS ON ASSUMPTION OF NEW RESPONSIBILITIES
--INDIA'S ECONOMIC PROBLEMS - UNDERSTAND THEM. NEED TO DEVELOP MULTILATERAL SOLUTIONS
--AID- DO WHAT WE CAN ON FOOD AID. MODEST BILATERAL ECON-
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OMIC AID POSSIBLE.

--IDA - REPLENISHMENT ALMOST COMPLETED. LONG AMENDMENT UNFORTUNATE BUT SHOULD NOT POSE PROBLEMS.
--SDR-AID LINK - PREPARED TO LOOK AT DIFFERENT APPROACHES
-- JOINT COMMISSION - OPPORTUNITY FOR BOTH COUNTRIES' PUBLIC AND PRIVATE SECTORS TO COOPERATE.

5. BEGIN BACKGROUND: PERSONAL BACKGROUND: SUBRAMANIAM IS CONSIDERED ONE OF THE FOREMOST, TECHNOCRATS" IN THE CABINET. HE HAS HELD A NUMBER OF OTHER POSITIONS INCLUDING THAT OF MINISTER OF AGRICULTURE IN THE MID 1960'S WHEN MASSIVE US FOOD AID TIDED INDIA OVER TWO SUCCESSIVE DROUGHT YEARS AND WHEN HE REACHED A SECRET AGREEMENT WITH SECRETARY FREEMAN TO STEP UP INDIAN AGRICULTURAL PRODUCTION. SUBRAMANIAM HAS NO POLITICAL BASE OF HIS OWN AND HIS SELECTION BY MRS. GANDHI FOR THE KEY POSITION OF MINISTER OF FINANCE PRESUMABLY REFLECTS HER DECISION NOT ONLY TO KEEP CONTROL OVER THIS KEY ECONOMIC MINISTRY BUT ALSO TO BRING IN A MORE FORCEFUL AND COMPETENT ADMINISTRATOR AT A TIME WHEN ECONOMIC DIFFICULTIES THREATEN HER POLITICAL POSITION.

6. LIKELY INDIAN POSITION: SUBRAMANIAM IS LIKELY TO OUTLINE INDIA'S DOMESTIC AND INTERNATIONAL DIFFICULTIES. DOMESTICALLY:

STAGFLATION (NO REAL GROWTH AND INFLATION RUNNING AT ABOUT 30 PERCENT)

FOOD SHORTAGES (FALL/WINTER FOOD CROP (KHARIF) IS LIKELY TO BE 10 PERCENT LESS THAN LAST YEAR'S)

INTERNATIONALLY:

PETROLEUM PRICES (INDIA WILL HAVE A \$1.2 BILLION IMPORT BILL THIS YEAR COMPARED TO LESS THAN \$500 MILLION LAST YEAR)

FERTILIZER PRICES AND AVAILABILITY (DIFFICULTIES IN PROCUREMENT AND AN IMPORT BILL OF ROUGHLY \$900 MILLION, PERHAPS TRIPLE LAST YEAR'S)

FOOD (THE 4.5 MILLION TONS OF IMPORTS ALREADY CONTRACTED FOR SINCE APRIL 1, 1974, ARE NOT ENOUGH AND WILL COST INDIA AROUND \$700 MILLION THIS YEAR)

7. SUBRAMANIAM IS UNLIKELY TO ASK FOR FOOD OR OTHER AID THOUGH HE WILL BE AWARE OF THE CURRENT STATE OF PLAY ON THESE SUBJECTS. HE IS MORE LIKELY TO RAISE SOME OF THE FOLLOWING ISSUES:

IDA REPLENISHMENT (WHEN WILL IT BE COMPLETED AND THE SIGNIFICANCE)

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CANCE OF THE LONG AMENDMENT)

SDR-AID LINK

WORLD FOOD CONFERENCE (WHAT WILL BE US POSITION)

OUTLOOK FOR OIL PRICES AND FERTILIZER AVAILABILITY

DEVELOPMENT COMMITTEE OF THE BANK/FUND (OIL MONEY RECYCLING AND AID TO MSAS.)

8. TALKING POINTS: WE ARE VERY MUCH AWARE OF INDIA'S PROBLEMS. WE

ARE LOOKING FOR MULTILATERAL SOLUTIONS.

US FOOD AID CANNOT BE AS GENEROUS AS IT WAS IN THE 1960S BUT WE WILL DO WHAT WE CAN. A MODEST BILATERAL ECONOMIC AID PROGRAM IS ALSO POSSIBLE AND WOULD BE FOCUSED ON AGRICULTURE. WE LOOK FORWARD TO WORKING WITH INDIA IN THE JOINT COMMISSION AND HOPE THAT INDIAN DOMESTIC POLICY WILL PERMIT EFFECTIVE PRIVATE COOPERATION IN SUCH FIELDS AS COAL GASIFICATION AND FERTILIZER PRODUCTION.

9. ON IDA REPLENISHMENT, THE PROCESS SHOULD BE COMPLETED SOON. THE LONG AMENDMENT WAS UNFORTUNATE; IT WILL NOT PREVENT BANK/IDA LOANS TO INDIA.

10. WE ARE WILLING TO CONSIDER DIFFERENT APPROACHES TO THE SDR-AID LINK ISSUE BUT WANT TO ENSURE THAT THE SOLUTION IS NOT WORSE THAN THE DISEASE, I.E., INCREASE WORLD INFLATIONARY PRESSURE.
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